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**MMARS Policy: Accounts Payable**

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## **Commonwealth's Bill Paying Policy – and General Payment Policies**

### **Executive Summary**

This chapter outlines the Commonwealth's Bill Paying Policy and general payment policies that apply to the expenditure of Commonwealth Funds. Under state finance law, the Office of the Comptroller (CTR) is required to establish a vendor payment schedule. [M.G.L. c. 7A, § 5](#). As part of this policy, fiscal managers are required to be prudent with the Commonwealth's resources. CTR strives to provide the tools and information to support and streamline efforts to meet these requirements. MMARS is configured to apply best practices for Commonwealth timely bill paying. If each department reviews, confirms and approves invoices when received and enters that information in MMARS for payment within 9<sup>1</sup> days (or earlier) of that receipt, applicable discounts will be taken and all payments will be scheduled appropriately with no further action needed.

### **Considerations**

Department payment activity is subject to quality assurance reviews. A criterion of the quality assurance review includes the quarterly bill-paying statistic for each department. MMARS is the official financial record of the Commonwealth. All supporting documentation must reflect the information provided in each transaction. A Commonwealth objective is to improve bill paying until 95% of Commonwealth bills are routinely being paid within 30 days. In addition to the policies in this Chapter, departments are also responsible for the policies in [Contracts - State Finance Law and General Requirements](#) and any other related contract policies issued by CTR.

### **Policy**

The goal of the Commonwealth's Bill Paying Policy is to routinely pay its bills in 30 days via Electronic Funds Transfer (EFT) when no discount is offered, or there are no contractual terms requiring earlier payment. Unless there is financial benefit to the Commonwealth, such as a vendor discount or a

contractual payment due date, compliance with the bill payment policy should not be considered successful if payments are issued in less than 30 days. Interest is earned on Commonwealth funds; therefore, if payments are released early with no reciprocal benefit, the Commonwealth loses valuable investment income.

### **Electronic Fund Transfer (EFT)**

Electronic Funds Transfer (EFT) is the expected form of issuing Commonwealth payments to our vendors. The goal of the Commonwealth's Bill Paying Policy is to routinely pay its bills in 30 days via Electronic Funds Transfer (EFT) when no discount is offered, or there are no contractual terms requiring earlier payment. EFT is a benefit to both vendors and the Commonwealth because it ensures fast, safe and reliable payment directly to the vendor's account and saves both parties the cost of processing checks.

For statewide contracts, vendors are required to receive payment via EFT. Departmental contracting should include this requirement as well. The EFT requirement for contractors who can provide compelling proof that it would be unduly burdensome may be waived. Vendors may request EFT when registering to receive a one-time payment, i.e. incidental purchases. (See [Electronic Funds Transfer \(EFT\) form](#))

It is important to process EFT requests timely. There is a ten-day lag between VCUST approval and EFT activation. Payments issued prior to EFT activation will be checks. Payments are issued each business day. EFT's processed by the Commonwealth are credited to the vendor's bank account the business day following Treasury's receipt of the disbursement file.

The Commonwealth's policy for the determination of a **payment due date** is as follows:

- **A specific payment date**: The date according to contractual agreements, state plans, state regulations, or an early payment discount. When the payment date is a contractual, state plan or similar payment, the payment date should be entered in both the **Vendor Invoice Date field** and the **Scheduled Payment Date field** of the payment request transaction.
- In the absence of a specified payment date, the default payment date will be approximately 28 calendar days after the later of:
  - a) The date services were rendered or goods received, or
  - b) The date of receipt of an invoice.

There are four key elements to ensuring Bill Paying Policy compliance:

1. **Date Stamp Invoices**. Date stamp invoices as soon as they arrive on Commonwealth property. Departments are responsible for ensuring that invoices are properly tracked and timely processed in order to avoid late payment penalties. To ensure a proper record for invoices the department must implement sufficient internal controls at all locations receiving invoices to ensure that:

- a. All invoices are date-stamped as soon as the invoice arrives on Commonwealth property in whatever medium the invoice arrives.
  - b. If a department does central payment processing and receives invoices at regional locations, the invoice must be date-stamped as soon as it arrives at the regional location. Regional locations should also have their own date stamps because an invoice can arrive at regional locations and each location is considered Commonwealth property. Regional locations should be fully aware of this policy and have a plan to handle such documents. The date an invoice is received at a regional location is considered the "date received" and starts the payment clock running even if payments are processed centrally or at another location.
  - c. **Electronic Invoices.** The date-stamp requirements apply even if an invoice is received electronically. If the invoice is submitted in an electronic form (fax, email) the invoice must be recorded as received as of the confirmation of fax or confirmation of email. Email invoices must be printed to include the date the email was received. If the email program does not include the date as part of the printed document, the recipient is responsible for adding the date of receipt to the printed copy. Departments must ensure that electronically received invoices are monitored so that invoices are printed daily and not back-logged when staff are on leave. Therefore, it is recommended that electronic invoices not be submitted to a single individual's email address; but if the department chooses to receive electronic invoices, the department should establish a central email address that will be monitored daily by fiscal staff to ensure proper date-stamping and processing.
2. **Manage the invoices review/approval process** (receipt of invoice, review, approval of expense, financial approval, entry of payment into MMARS);
  3. **Return Invoices that are not acceptable** (within 15 days, 30 days for Medicaid providers). The department has fifteen (15) days (30 days for Medicaid providers) from the receipt of an invoice to notify the vendor with written reason(s) why an invoice has been rejected and identifying requirements to cure the deficiency. If the invoice is incorrect or cannot for good reason be accepted, it should not be held by the department and negotiated, it should be returned to the vendor immediately. The payment day count will begin again from the beginning when the department receives a corrected invoice.
  4. **Review payment data** via the Information Warehouse.

Each department must review its current steps to process payments. This may result in the identification of steps duplicated unnecessarily, in different levels of the department, sometimes resulting in significant payment delays. An evaluation of the value added at each of these redundant points could result in a streamlined process and reduce the processing time in your timeline. A risk assessment of dollar threshold or program specific concerns may result in only certain payments requiring additional review.

See related Bill Paying and Payment Processing procedures for additional details and requirements for invoice processing.

### **Vendor Invoice Number**

Communications is an important aspect of good business relationships. To be effective, communications must be 2-way. Much information is required from vendors who provide goods and/or services to the Commonwealth. In return, the vendor expects to be able to easily identify and apply the payments the Commonwealth issues to them. The efficiency of MMARS to consolidate multiple payments from multiple departments to the vendor costs that same vendor valuable time and resources if allocation of the payment is not defined in accordance with the vendor's standards. To provide the vendor's information the vendor's invoice number, account number or equivalent must be entered in the vendor invoice number field of a payment request transaction.

"Vendor Invoice Number" has replaced the "Payment Reference Number" field label. This is a required field that should continue to be used to communicate the vendor's invoice number, account number or equivalent information to the vendor.

The Vendor Invoice Number field has been expanded to the industry standard of 30 characters. MMARS requires that this number be unique across departments for the vendor. While appending a date to the number usually provides uniqueness, a Commonwealth-wide vendor account number may also require a department designation. In any case the format should be agreed to with the vendor at procurement.

The field **Vendor Invoice Number Line** is also a required field. The **Vendor Invoice Number** and **Vendor Invoice Line Number** are required fields on MMARS payment request transactions and are used as the primary identifier by vendors to account for their payments. Together, these numbers should be unique in MMARS for each payment to a specific vendor. Re-use of a Vendor Invoice Number/Line Number will result in a system-generated, department overridable, error on the document, designed to create user awareness but not to impede business.

The **Vendor Invoice Number** is carried forward to the remittance advice for either EFT or check payments. Providing vendors with their invoice numbers, account numbers or vendor-defined equivalent will greatly increase their ability to track invoices sent to the Commonwealth, as well as to apply the payment in their accounting system. The expanded field length (30 characters) provided in MMARS should accommodate vendors using large account numbers for monthly billing.

The **Vendor Invoice Number** is not limited to vendor invoices. It can also be a valuable identifier to the payee when no invoice is involved, such as a grant payment. This can be useful to city or town treasurers who rely on the EFT remittance to identify all types of payments from school lunch grants to Council on Aging payments. The construction of the **Vendor Invoice Number** can be an account number, or vendor-defined equivalent that you and the vendor agree on for communication. When this is a grant or contractual payment, the due date should be entered in both the **Vendor Invoice Date field** and the **Scheduled Payment Date field**.

### **MMARS Document Dates**

- **Vendor Invoice Date (Required field – Invoice Receipt date)**- The **Vendor Invoice Date** is a required field on all MMARS payment request transactions and should always be the date the invoice was received on Commonwealth property.
- **Tracking Date (Field Not Required – Invoice date)** - There is also a **Tracking Date field**, and if used, should be entered with the actual date printed on the invoice from the vendor. This may provide useful information if vendor clarification is necessary.
- **Scheduled Payment Date field** - The **Scheduled Payment Date field** on the Payment Request will be calculated and systemically entered based on the bill payment policy of the Commonwealth.

### **When is an invoice considered legally paid by the Commonwealth?**

An invoice/obligation is considered paid when the **payment is issued** by the Commonwealth via:

- EFT (Electronic Funds Transfer) when the issuance file is transmitted to the bank (Payment Issue Date) or
- Checks when the check is sent to the post office (Payment Issue Date).

In both cases the payment is considered paid as of the **payment issue date**, which is recorded in MMARS.

### **Bill Payment Statistics**

The Commonwealth Information Warehouse has developed standard bill paying queries that may be run on a user-defined frequency (i.e. monthly, quarterly). The reporting criteria continue to provide the same standards used for the Comptroller's report of quarterly bill paying across the Commonwealth.

## **Other Payment Policies**

- **Advances** – Advances are authorized by M.G.L c. 29, §23 in accordance with rules issued by CTR. Please refer to the **Accounts Payable Policy – Advance Management** for additional information.
- **Grant Payments** – payments under state grants and federal subgrants present unique payment circumstances. Please refer to the policy on **Contracts – State Grants and Federal Subgrants** for details on grant payments and disbursements.
- **Payments to State Employees on Vendor Customer Table (VCUST)** - All employee-related payments and reimbursements for both regular and contract employees will be processed through the state payroll systems, HR/CMS and e\*mpac. State employees may not be paid through MMARS unless they are hired to perform work unrelated to their employment and this secondary contract work is approved by the State Ethics Commission. The Vendor/Customer Table (VCUST) is accessible by all departments, therefore, most information including a contractor's address can be requested through public record requests (excluding Tax Identification Number (TIN) and banking (EFT) information). Therefore, if a department is hiring a state employee for secondary contract work and the employee wants to have their home address protected, the employee should set up a P.O. Box for their legal address. Since the secondary employment is not as a "state employee" the Commonwealth or hiring department has no obligation to protect the individual's home address. Employees should not be registered as vendors by a department without confirmation that the contract work has been approved by the State Ethics Commission. The documentation required for all VCUST entries is a W-9/W-8 or approved alternate form. See Accounts Payable – Vendor Customer File – W9 Policy. State employees paid to teach part-time in the educational institutions of the Commonwealth are exempt from this requirement provided they do not participate in or have official responsibility for the financial management of the educational institution. Additional exemptions may appear in statute.
- **Payment Waives Claim of Voidable Contract** - Acceptance of any payment by a vendor shall waive any claim that a contract, including a Commonwealth Terms and Conditions or Standard Contract Form is void or voidable because it was not executed by an authorized signatory of the Contractor. (Note: Similarly for contract purposes, signature by an authorized signatory on the Standard Contract Form incorporates by reference the relevant Commonwealth Terms and Conditions and waives any claim that the Commonwealth Terms and Conditions are void or voidable because it was not signed by an authorized signatory of the Contractor.)

- **Intercept.** Vendor payments are considered paid to the vendor when the payment has been processed through MMARS and issued by the department. Once issued, payments are subject to intercept processing and intercept fees as prescribed by the intercept policies. Please refer to the Accounts Receivable policies for additional information. All payments processed through MMARS are subject to intercept unless specifically exempted by the Comptroller. MMARS processes an intercept file to identify any payments that must be intercepted for outstanding debts to the Commonwealth. Vendors are notified funds have been intercepted and may not penalize any department for non-payment due to the intercept of funds.
- **Prompt Pay Vendor Discounts** - Unless there is financial benefit to the Commonwealth (such as a vendor discount or a contractual payment due date) compliance with the bill payment policy should not be considered successful if payments are issued in less than 30 days. Interest is earned on Commonwealth funds; therefore, if payments are released early with no reciprocal benefit, the Commonwealth loses valuable investment income. Departments have an obligation to pursue prompt payment discounts as a cost savings strategy. MMARS provides departments with the means to monitor their bill-paying practices and take full advantage of discount opportunities. The system also maintains discount history, and can identify missed discount opportunities. Please review your existing policies and procedures related to vendor discounts and look for ways to leverage the new MMARS functionality. The Commonwealth's goal of consistent timely bill paying via [Electronic Funds Transfer](#) (EFT) should give departments leverage in negotiating discounts. MMARS gives departments the ability to enter discount-pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information can be entered at three levels:
  - At the vendor level, entered on the VCUST table, which will result in an "across the board" discount;
  - At the encumbrance level:
    - Statewide contract discount terms will be managed by Operational Services Division
    - Departments will be able to enter terms negotiated from a specific contract
  - At the payment level - if noted on a vendor's invoice, it should be entered on the individual payment (PRC).

Discount precedence applies when discount information is entered in more than one level. A discount at the *vendor level* applies if no other discount is indicated. A discount at the *encumbrance level* supersedes a vendor level discount, and a discount at the *payment request* (PRC or GAX) *level* supersedes any other discount information. For more information on Prompt Pay Discount, please read the March 2004 Newsletter and consult the [AP Applying Discounts job aid](#) for how to set this up in MMARS.

- **Late Penalty Interest.** Timely bill paying is an important aspect of the Commonwealth and vendor partnership. Due to the good work of departments, the Commonwealth has greatly improved its bill paying practices and reduced the amount of late penalty interest paid. The goal of the Commonwealth is to routinely pay all valid, approved invoices in thirty days and take advantage of discounts offered and available. Meeting this goal is a valuable tool for future contract negotiations. It maximizes department and Commonwealth resources. Contractors may request interest if payments are not made in 45 days in accordance with the CTR Late Penalty Interest Regulations [815 CMR 4.00](#). [M.G.L. c. 7A, § 5A](#). Commercial contractors may invoice for interest if they were not paid within 45 days. [M.G.L. c. 29, § 20C](#) and [M.G.L. c. 29, § 29C](#). Departments paying bills late are subject to late penalty interest in accordance with 815 CMR 4.00. CTR will certify the interest rate paid to vendors in compliance 815 CMR 4.00, Late Penalty Interest. Departments must reject deficient or incorrect (unacceptable) invoices within 15 days of receipt and give notice of defect to contractor. Late penalty interest must be paid from the same funds used for the expenditure, which was paid late.
  - [M.G.L. c. 30, § 39G](#) - Provides for late penalty interest on horizontal construction and maintenance projects (roads, bridges, etc.), after 30 days.
  - [M.G.L. c. 30, § 39K](#) - Provides for late penalty interest on vertical construction and maintenance projects (buildings), after 30 days for periodic payments and after 65 days for final payments.
  - [M.G.L. c. 79, § 37](#) - Provides for interest payments under certain conditions on Eminent Domain Taking after 30 days.
  - [M.G.L. c. 164, § 94D](#) - Provides for late penalty interest for utilities, which are not paid within 55 days from the date of the bill.

Department internal payment procedures should be reviewed and updated to reflect this policy.

- **Retainage** – Retainage is negotiated as part of a contract which is entered into MMARS with the contract encumbrance and will set aside an amount or percentage from each payment which is issued to the contractor to leverage complete and satisfactory performance. For additional details please See Contracts Policy – Retainage.
- **Payment for “Result-Based” Performance.** If compensation is not performance-based (e.g., fee-for-service or delivery of goods) but is result-based, which means that no obligation is incurred by the Department until a deliverable or product is “delivered” to the department (even if the Contractor was working on the deliverable prior to the contract effective start date) delivery must be made within the dates of performance of the contract (i.e., after the contract effective date and



prior to the termination date) and the deliverable must be accepted as satisfactory (based upon the terms of the contract) in order to qualify for payment.

- **No Pre-Payments.** Absent specific legislative authorization, no payments may be made in advance of receipt and acceptance of goods and services or other performance (cost reimbursement) unless payment is for an authorized obligation incurred by contractor.
- **Expenditure of Capital Funds (arbitrage).** Special care must be made when expending capital funds to avoid arbitrage. Capital funds must be disbursed on a “cost-reimbursement” basis and may not be transferred and held by a grantee or contractor in anticipation of expenditure, even under an authorized capital grant. Grant funds may only be temporarily held by a grantee if the funds will be expended by a grantee within 60 days for obligations already incurred and the funds must be retained in a non-interest bearing account. Departments should establish a payment schedule based upon when obligations will be incurred and payment is necessary.
- **Payment for Obligations Incurred.** Payment based upon an “obligation incurred” is limited solely to circumstances in which the Commonwealth has incurred an obligation because a contractor has provided possession or committed (reserved) access to goods or services on behalf of the department for a period of time, such as rentals, leases, TELPs, on-call service or maintenance, subscriptions and hotel reservations. Payments are due at the beginning of the “access” or reservation of the service or good. For maintenance contracts departments pay for the on-call or “availability” of maintenance. Payments may be made at the beginning of the month or quarter that the services are to be made available or reserved for the department’s use. Similarly, for space or equipment rentals or leases the department may pay at the beginning of the month or quarter that the department obtains exclusive “possession” of the space or equipment. Other than the circumstances above, a payment obligation is not incurred until a good or service is received and accepted by a department. A contract document, purchase order of goods or request for services does not create a payment obligation until performance is received and accepted. Orders that are made, but not delivered prior to June 30<sup>th</sup> (the end of the fiscal year) create no payment obligation for the current fiscal year, and likewise create no payment obligation in the subsequent fiscal year unless accepted by the Department, subject to appropriation.
- **TELPs (Tax Exempt Lease Purchases)** - are used to finance the purchase of equipment or other capital items over time. TELPs are structured similar to a loan or a mortgage because the department is reimbursing the TELP financier for the funds loaned and paid directly to a vendor for purchase of equipment or other durable goods in the department’s possession. Therefore, the department is obligated to make payments until the TELP financier is reimbursed for the amounts already paid, plus interest, subject to appropriation. TELPs are considered current fiscal year operational expenses and are not considered “debts” or a “pledge of credit” of the Commonwealth, even though TELPs have a multi-fiscal year payment schedule.

- **Payments Only for Current Obligations.** GAA appropriations shall be for ordinary maintenance for the fiscal year unless otherwise authorized. Appropriations are authorized for goods, services and other obligations incurred, received and accepted in the current fiscal year and may not be used to pre-pay for future fiscal year obligations (advance payments) even if substantial discounts offered, without specific legislative authorization or for prior fiscal year obligations. See [M.G.L. c.29, § 12](#). This means goods and services to be paid for with current fiscal year appropriations must be received and accepted within the fiscal year (July 1-June 30) (see [M.G.L. c. 4, § 7, 9](#)). The only exception to this rule includes taking advantage of substantial discounts for subscriptions or other goods or services from reputable vendors (vendors with no risk of bankruptcy or non-performance) for **incidental purchases** which will not exceed the Incidental Purchase threshold for the duration of the need or offer.

Lawful obligations that do not exceed department's 1/12<sup>th</sup> allotment (made quarterly) may be made between July 1 and passage of GAA if there is an interim budget. No commodities or services may be accepted for the new fiscal year and no funds may be expended without an Interim Budget or GAA. See [M.G.L. c. 29, § 12A](#). CTR and Administration and Finance will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1<sup>st</sup>. This will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine business to carry out department missions is included (i.e., payrolls, client benefits, leases, goods and services). Once departments are notified that the Interim Budget is signed, departments should proceed with routine business, including paying bills in 30 days. Departments are responsible to expend only funds from accounts that are in both the House and Senate Budgets. If there is a question about whether an account will be funded, the Chief Fiscal Officer should confer with ANF.

Recurring obligations (such as leases and TELPs) with multi-fiscal year payment schedules are not considered future obligations, but are considered operational expenses which arise at the beginning of each fiscal year of the contract which is subject to annual appropriation. TELPs, leases and other multi-fiscal year payment schedules will never be considered a "debt" or a "pledge of credit" of the Commonwealth.

- **Accounts Payable Period** - The accounts payable period to pay encumbrances for fiscal year ending on June 30<sup>th</sup> runs from July 1<sup>st</sup> through August 31<sup>st</sup>. ANF may extend the accounts payable period to pay encumbrances until September 15<sup>th</sup> subject to special request from departments. State finance law requires that remaining balances revert to the General Fund on or before September 15<sup>th</sup>. [M.G.L. c.29, § 13](#).

- **Recurring Payments** - Routine, periodic payments scheduled during the contract are available for any contract. Recurring payments are **required** for all:
  - Space leases (Object Code G01)
  - TELP object codes (L01-L13)
  - Operating and capital leases longer than 12 months (L21-L33)
  - Ready payments (human and social service payments under [815 CMR 3.00](#); (see section below)
  - Maintenance contracts and other contracts with routine scheduled payments.

Recurring payments are available for other contracts with consistent periodic payments and a minimum duration of six months or 4 payments may use the RPO transaction in MMARS.

Departments must certify that there have been no problems in receiving services specified in the lease contract. CTR staff review the RPO and supporting documentation. If the approval criteria have been met, the RPO will be approved for the recurring payment system option.

- **Recurring Payment (Ready Payments)**. *For POS Only:* For human and social services there is also an option to use recurring payments known as “Ready Payments” for providers of social, educational and rehabilitative services based on projected expenses or services pursuant to 815 CMR 3.00. See [M.G.L. c. 29, § 23A](#). The *Expenditure Classification Handbook* specifies which object codes are eligible to use the Ready Payment System. Ready Payments are available as an alternative payment mechanism, enabling a department to make predictable, recurring contract payments. Ready payments are appropriate for service contracts which have a predictable, recurrent and regular service delivery schedule (ex. semi-monthly, weekly). The contractor is required to submit monthly invoices and supporting documentation to the department in accordance with the terms and conditions of the contract. The invoices and supporting documentation must be accurate, complete and sufficiently detailed to substantiate any claim for payment. Unless a different period is specified in the contract, the contractor shall submit the invoices and supporting documentation on or before the tenth of each month following service delivery. The contractor's failure to submit timely invoices and supporting documentation may result in the suspension of the use of the Ready Payment System for Contract payments. The MMARS system then performs a reconciliation against the total of the estimated payments made for that month which will then be added or subtracted from the next automatic estimated payment. Unless otherwise specified in the contract, the contractor shall be responsible for the prompt return or reimbursement of any overpayments made by the department within seven calendar days of the department's written request. Overpayments to the contractor during any state fiscal year may

not be retained by the contractor to offset anticipated payments by the department during a subsequent fiscal year.

- **Contingent Fee Contract Payments.** The Comptroller is authorized to enter into contingent fee contracts for debt collection ([M.G.L. c. 7A, § 3](#); [M.G.L. c. 29, § 29D](#); [815 CMR 8.00](#)) and for non-tax revenue ([M.G.L. c. 29, § 29E](#); [815 CMR 8.00](#)) which allow the vendors to be paid a percentage fee from the revenues and debts that the vendors successfully collect, deposit and record in the state accounting system (MMARS). Contingent contracts are also authorized by specific general or special laws, or annual or supplemental budgets for cost avoidance and other types of contingent contracts. Similar to all revenue collected on account of the Commonwealth, contingent contractors can not “net” fees from collections without specific legislative authorization. ([M.G.L. c. 30, § 27](#); [M.G.L. c. 10, § 17B](#); Massachusetts Constitution [Article LXIII Section 1](#)). All contingent fee procurements and contracts must be reviewed and approved by CTR.
- **Obligations May Not Exceed Appropriation** - Pursuant to [M.G.L. c. 29, § 26, § 27 and § 29](#), departments are required to expend funds only for the purposes set forth by the Legislature and within the funding limits established through appropriation, allotment and subsidiary. Departments may not incur a liability for the Commonwealth in excess of their appropriation or allotment. This means that a department cannot authorize performance to begin under a contract (including a grant, ISA, chargeback, lease, rental or TELP), request or accept goods or services (including personnel) in excess of an existing appropriation and allotment, or sufficient non-appropriated available funds. Available funding means funds that have been appropriated and allotted, or otherwise available which can be encumbered and expended (including federal funds that have been authorized and are available for draw down, or trust funds with sufficient cash). Funding identified in a filed but not yet enacted appropriation act, supplemental budget or other legislative act shall not qualify as available funding and will not be sufficient authorization for continued performance or new performance. Authorization by House and Senate Ways and Means Committees, the Governor’s Office, Executive Office for Administration and Finance or any other oversight agency shall not be sufficient authorization for continued performance or new performance since this authorization is not legislative authorization for expending appropriated funds.
- **Insufficient Appropriations for Required Expenditures, Expiring Accounts** - Appropriations and allotments must be spent in accordance with prescribed subsidiary schedules. [M.G.L. c. 29, § 27](#); [M.G.L. c. 29, § 26](#). Departments must do everything legally allowed to manage within their appropriation. Departments must immediately notify ANF and House and Senate Ways and Means

Committees of the estimated amount of anticipated deficiency in any appropriation. [M.G.L. c. 29, § 9E](#). If funding is not available for encumbrance and expenditure, a department may not authorize performance to begin or continue, and any performance must halt, personnel reassigned or suspended, or other business adjustments made so that no obligations will be incurred in excess of current available funding.

If accounts are not reauthorized past the termination date (such as on June 30<sup>th</sup> for operating accounts, or at the end of a capital bond authorization) departments may not continue to incur obligations or continue to accept services from employees or contractors in these accounts. ***Contracts must be terminated or suspended, personnel must be terminated, or contracts and personnel transferred to another appropriate account legislatively authorized to fund these types of obligations and expenditures.***

Expenditures ***may not*** be made against other accounts to “front” funds during this time period and such expenditures may not be retroactively transferred (Expenditure Correction - EX) to these accounts should the accounts be re-authorized or a new account(s) established. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. (See [M.G.L. c. 7A, § 3](#)).

“The Comptroller shall refuse to permit a disbursement or incurring of an obligation if funds, or allotments of funds, under an appropriation account or subsidiary account under an appropriation account, sufficient to cover such disbursement or obligation are not available and shall immediately give notice of such refusal to the department, office, commission, or institution proposing the expenditure” See [M.G.L. c. 29, § 29](#).

This means that expenditures made to another current account because a supplemental budget has not yet passed, or ISA funding has not been set up, cannot later be charged to the new accounts or reauthorized accounts when the supplemental budget passes, without prior written notice to the House and Senate Committees on Ways and Means (unless the supplemental budget account is authorized with an effective date prior to the date of the expenditures or specifically authorizes reimbursements).

### **VendorWeb**

Vendors can see their scheduled payments and payment history by logging on VendorWeb. On-line vendors can find the tentative scheduled payment date or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the department making the payment. VendorWeb is located at <http://massfinance.state.ma.us>.

The VendorWeb application was created to help the Commonwealth's vendors get their payment information free and easily. Vendors access VendorWeb with their Commonwealth VC code or TIN. Vendors can view or download information for payments made and payments scheduled in old and new MMARS to be paid. Payment information can be generated using date ranges and selected department(s). Payment information can be sorted by payment number or department payer(s).

### **Overpayments**

Payments may be made only for authorized expenses or contracts costs. The department shall have the right to recoup or offset overpayments made for contract performance. A contractor shall have no entitlement to contract funds and must be able to document that performance was completed in accordance with the terms of the contract or that payments reflect authorized costs or expenses.

In the event an overpayment is discovered within the fiscal year in which the related payment was authorized, the contractor will be required to make repayment of the overpayment, or the amount may be used to offset remaining payments during the current fiscal year (including the accounts payable period during July-August of a fiscal year), or may be used to offset additional contract related costs or expenses consistent with the purposes of the contract, as negotiated with the department.

Overpayments made in one fiscal year may not be used to offset contract costs or payments in a subsequent fiscal year, unless the funding authorization supports a continuing account (trust, capital or federal), the contract authorizes that funds may be carried over into another fiscal year, as determined in the contract application, or upon written amendment or approval by the department in accordance with state finance law requirements.

For non-continuing accounts, or for any funding for which the funding authorization for the contract has expired, overpayments discovered after the close of the accounts payable period of the fiscal year in which the funds were authorized for payment should be repaid to the department and deposited in the General Fund, or the appropriate fund as determined by the Office of the Comptroller, and may not be used to offset contract payments in a subsequent fiscal year, or to be used for another contract program unless otherwise authorized. Please refer to the job aids for GAEC and CECs for procedures for reinstituting returned funds into a contract for re-expenditure during the period of funding authorization.

Records of overpayments, recoupment or offset must be maintained by the department and will be subject to quality assurance and audit review.

### **Internal Controls**

Under Construction. Please see Policy on **Contracts – Internal Controls for Payments**.

### **Records Management.**

In accordance with 815 CMR 10.00 the department is the keeper of the official record copy of invoices. MMARS is the official record of the encumbrance and payment documents and will supersede any paper copies of the same information. The contract/procurement/payment file must contain, or refer to the location of, all documentation related to the particular payment involved. A department is responsible for retaining and archiving contract records in accordance with the disposal schedules issued by the Secretary of State Records Conservation Board. Please see Policy Chapters “**Other - Records Management**”.

### **Information Sources**

- Related Procedure – under construction
- Related Policies:
  - This policy applies to all payments made by the Commonwealth and applies to all relevant MMARS policies.
  - Contracts - State Finance Law and General Requirements
  - Contracts – Goods and Services
  - Contracts – Subsidies
    - Contracts – Interdepartmental Service Agreements (ISAs)
    - Contracts – Interdepartmental Chargebacks
    - Contracts – State Grants and Federal Subgrants
  - Accounts Payable – Expanded Use of Recurring Payments
  - Accounts Payable – Advance Management
- Legal Authority –
  - [Expenditure Classification Handbook](#);
  - [M.G.L. c. 7A](#) (Office of the Comptroller); [M.G.L. c. 29](#) (State Finance Law);
  - [M.G.L. c. 133](#) (Uniform Electronic Transactions Act); [M.G.L. c. 30, § 65](#) (Legal Services);
  - [M.G.L. c. 29, § 29D](#) (Debt Collection); [M.G.L. c. 29, § 29E](#) (Revenue Maximization);
  - [M.G.L. c. 30, § 27](#) (Revenue Receipt); [M.G.L. c. 10, § 17B](#) (Revenue Receipt);
  - Massachusetts Constitution [Article LXIII Section 1](#) (Revenue Receipt);

- [M.G.L. c. 7, § 22](#) (OSD – Goods and Services); [M.G.L. c. 30, §. 51](#); (OSD – Goods and Services) [M.G.L. c. 30, §. 52](#); (OSD – Goods and Services)
- [M.G.L. c. 29, §. 29A](#) (Consultants) (Level III – Executive only);
- [M.G.L. c. 29, §. 29B](#) (Human/Social Services) (Level III - Executive only)
- [M.G.L. c. 29, § 27B](#) (IT equipment)
- [M.G.L. c. 15A](#) and [M.G.L. c. 73](#) (state and community colleges);
- [M.G.L. c. 75](#) (UMASS); General or special laws governing expenditures;
- [Massachusetts Executive Orders](#) (Level III – Executive Only);
- [Administrative Bulletins](#) (Level III – Executive Only);
- [Comptroller regulations](#) (815 CMR 2.00 - 10.00);
- [M.G.L. c.29, § 66](#) (State Finance Law Violations)
  - [M.G.L. c. 30, § 39G](#) late penalty interest on horizontal construction and maintenance projects (roads, bridges, etc.)
  - [M.G.L. c. 30, § 39K](#) late penalty interest on vertical construction and maintenance projects (buildings)
  - [M.G.L. c. 79, § 37](#) interest payments under certain conditions on Eminent Domain Taking
  - [M.G.L. c. 164, § 94D](#) penalty interest for utilities, which are not paid within 55 days from the date of the bill
- Attachments –
  - [Quick Reference – Goods and Services, Grants, Subsidies, ISAs and Chargebacks](#)
  - [Commonwealth Terms and Conditions Form](#)
  - [Commonwealth Standard Contract Form](#)
  - [Commonwealth Terms and Conditions for Human and Social Services](#) (Level III - Executive Only)
  - [Standard Contract Form and Instructions](#)
  - [Standard Contract Form Amendment](#)
  - [Purchase Order for Commodities and/or Services](#)
  - [Change in Contractor Identify Form](#) (Change in business structure or contract assignment)
  - [Interdepartmental Service Agreement Form](#)
  - [Interdepartmental Service Agreement Amendment Form](#)
  - [Subsidy Agreement Form](#)
  - [Contractor Authorized Signatory Listing Form](#)
  - [Electronic Funds Transfer \(EFT\) form](#)
  - [MA-W9](#) (if not listed as vendor in the MMARS Vendor Customer file)
  - [MMARS Document Records Management/Signature Authorization Form](#)



- Links
  - [801 CMR 21.00](#) (Required for Executive Departments (Level III),
  - [808 CMR1.00](#) (Required for Executive Departments (Level III),
  - [Commonwealth Procurement Policies and Procedures Handbook](#) Required for Executive Departments (Level III),

[CTR Help Desk](#)

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**1** Last Revised on 7/27/2005 (10 days changed to 9 days)

**2 November 1, 2006.** Removed language referencing the Knowledge Center and updated relevant links to Mass.gov/osc portal site.